



# **DETERMINANTS OF STOCK MARKET RETURN IN MALAYSIA**

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 OVERVIEW/ BACKGROUND OF STUDY**

The stock market is important resource in the economy of Malaysia. It is difficult to ignore the importance of the stock market return which represents economic activity and initially, stock markets are affected by many highly interrelated economic, political and even psychological factors (Heng, Sim, Tee and Wong, 2012). Stock market is including in financial market in Malaysia. Financial market plays a crucial role in foundation of a stable and efficient financial system of an economy.

Domestic and international factors directly or indirectly affect the performance of the stock market (Patel, 2012). Stock market has been recognized and it has important role in macroeconomic growth and development in Malaysia. Stock market may be volatile simply because real economic activities fluctuate and it influence or affected to the return of stock market. The market value of firm may also be affected by the stock return decision. The problem of stock return can be identified as an important reason for business growth or failure (Zakaria and Shamsudin 2012; Olowoniyi and Ojenike, 2012). Mostly macroeconomic variable affected in stock market.

Malaysia stock market is one of the biggest stock market in Southeast Asia. Stock market in Malaysia was known as Kuala Lumpur Security Exchange year 1964 but it changed from KLSE to Bursa Malaysia Berhad at year 2004. Bursa Malaysia is holding company stock and controls a number exchange in Malaysia in 1964 (Heng, Sim, Tee and Wong, 2012). It also play important role in economic Malaysia especially in capital market by offering competitive services and infrastructure. Bursa Malaysia represents the top 30 Malaysia companies and recognize as a stock market